

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 SCEM-02 SCI-06 EB-11 COME-00 TRSE-00

OMB-01 NEA-10 PM-07 NSC-10 SPC-03 SS-20 RSC-01

CIAE-00 INR-10 NSAE-00 DODE-00 INT-08 /110 R

DRAFTED BY ARA/CEN:LAPEZZULLO/EB:WWHITMAN:TK

APPROVED BY ARA/CEN DAVID LAZAR

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE PRIORITY

INFO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMCONSUL BELIZE

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E.O. 11652:N/A

TAGS: TECH, CS

SUBJECT: ENERGY CRISIS

FOLLOWING BACKGROUND INFORMATION PROVIDED FOR USE SHOULD
HOST COUNTRY OFFICIALS RAISE SUBJECT OF THE ENERGY CRISIS.

1. ON OCTOBER 17 THE ORGANIZATION OF ARAB PETROLEUM
EXPORTING
COUNTRIES (OAPEC) ANNOUNCED THE ADOPTION OF A BOYCOTT OF
OIL IN SUPPORT OF THE ARAB WAR AGAINST ISRAEL. OAPEC
MEMBERS AGREED AT THAT TIME TO REDUCE OVERALL PRODUCTION
BY 10 PERCENT, TO EMBARGO ALL EXPORTS TO THE UNITED STATES,
AND TO REWARD "FRIENDLY" NATIONS WITH CONTINUING
SUPPLIES OF OIL. THE OAPEC BOYCOTT HAS NOW BEEN EXPANDED
TO THE POINT WHERE OVERALL PRODUCTION BY OAPEC MEMBERS HAS
BEEN REDUCED BY 25 PERCENT, WITH AN ADDITIONAL 5 PERCENT
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SCHEDULED FOR THE MONTH OF DECEMBER.

IN ADDITION TO THE U.S., THE NETHERLANDS HAS BEEN SINGLED OUT FOR FULL EMBARGO TREATMENT, BUT REPORTS AS TO OTHER COUNTRIES ARE CONTRADICTORY. CERTAIN OTHER COUNTRIES, INCLUDING THE UNITED KINGDOM, FRANCE, SPAIN, AND BRAZIL, HAVE BEEN DESIGNATED AS "/>PREFERRED" COUNTRIES AND AS SUCH WILL BE PERMITTED TO RECEIVE ARAB OIL AT A LEVEL EQUAL TO THEIR ARAB OIL PURCHASES DURING THE FIRST NINE MONTHS OF 1973. MOST OTHER NATIONS, INCLUDING SUCH MAJOR IMPORTING COUNTRIES AS JAPAN, WEST GERMANY, AND ITALY, ARE CLASSIFIED AS "NON-PREFERRED" AND WILL HAVE TO SHARE PRO RATA ANY OIL REMAINING FROM REDUCED PRODUCTION AFTER THE PREFERRED CUSTOMERS HAVE BEEN SATISFIED. THUS, THE IMPACT ON THIS LATTER GROUP OF COUNTRIES WILL INCREASE SHOULD THE BOYCOTT CONTINUE WITH PROGRESSIVELY LARGER REDUCTIONS IN PRODUCTION MONTH-BY-MONTH.

AS A RESULT OF THE 25 PERCENT LIMITATION OF PRODUCTION NOW IN EFFECT, THE AVAILABILITY OF OIL IN THE WORLD WILL BE REDUCED BY MORE THAN 5 MILLION BARRELS PER DAY. SHOULD ANOTHER 5 PERCENT REDUCTION COME INTO EFFECT IN DECEMBER, THE DECREASE IN WORLD AVAILABILITIES COULD EXCEED 6 MILLION BARRELS PER DAY .

2. THE CRUDE AND REFINED PRODUCTS GOING INTO CENTRAL AMERICAN MARKETS APPARENTLY COMES FROM A MIXTURE OF MIDDLE EASTERN AND WESTERN HEMISPHERE CRUDES AND NOT ON WESTERN HEMISPHERE CRUDES ALONE. THUS MID-EAST PRODUCERS' MEASURES DO HAVE DIRECT EFFECT ON CA SUPPLIES SO THAT FORTHCOMING SHORTAGES CANNOT BE SIMPLISTICALLY ATTRIBUTED TO OIL COMPANY EFFORTS TO REALLOCATE ANY SUPPLIES TO TRADITIONAL CUSTOMERS. THE PERCENTAGE OF EACH TYPE OF CRUDE DIFFERS SOMEWHAT DEPENDING ON THE DESTINATION AND PRODUCT. IN GUATEMALA'S CASE, ON WHICH WE HAVE SOME INFORMATION, MANY IMPORTS COME FROM TRINIDAD REFINERIES AND ARE A MIXTURE OF APPROXIMATELY 35 PERCENT MIDDLE EASTERN CRUDE AND 65 PERCENT WESTERN HEMISPHERE CRUDE.

UNDER THE NEW CONDITIONS IMPOSED BY THE MIDDLE EASTERN PRODUCERS, CRUDE FROM THAT AREA FOR THE WESTERN LIMITED OFFICIAL USE

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HEMISPHERE MARKET WILL BE REDUCED BY AN AMOUNT NECESSARY TO SPREAD RESULTANT CUTS OVER ALL NON PREFERRED COUNTRIES. OIL COMPANIES ARE IN PROCESS NOW OF TRYING TO DETERMINE RESULTANT DISTRIBUTION PATTERN. WHATEVER THE RESULTANT PERCENTAGE LOSS IS WILL BE REFLECTED IN REDUCTIONS TO CONSUMERS IN ALL CENTRAL AMERICAN COUNTRIES.

3. ANOTHER IMPORTANT FACTOR IS THAT THE OIL COMPANIES WITH

CONTRACTUAL ARRANGEMENTS WITH MIDDLE EASTERN PRODUCING
COUNTRIES HAVE BEEN CHARGED WITH POLICING AND EXECUTING
BOYCOTT POLICY NOTED ABOVE. KISSINGER

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